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FM AMEMBASSY LIMA
TO RUEHC/SECSTATE WASHDC PRIORITY 6057
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 4828
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 2958
RUEHCV/AMEMBASSY CARACAS PRIORITY 0517
RUEHLP/AMEMBASSY LA PAZ JUL 4343
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9224
RUEHQT/AMEMBASSY QUITO PRIORITY 1314
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 1360
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 4420
RUEHBS/USEU BRUSSELS PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RHMFIUU/CDR USSOUTHCOM MIAMI FL PRIORITY
RUEHC/DEPT OF LABOR WASHINGTON DC PRIORITY

UNCLAS LIMA 002298

SIPDIS

SENSITIVE

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SUBJECT: MAFIAS BATTLE FOR TURF IN CIVIL CONSTRUCTION
INDUSTRY

¶1. (U) Summary: Brawls and violent crime at construction sites in Callao and Lima have caused three deaths in the past four months and put scores of workers in the hospital. The industry has long attracted leg breakers and goons, but union officials, business firms, and labor analysts say the level of violence is escalating as well-organized and well-armed mafias infiltrate one of the fastest growing sectors of the Peruvian economy. Union officials at the Federation of Civil Construction Workers (FTCC), one of Peru's strongest and best organized unions, report weekly death threats, and construction companies warn labor strife could choke off the industry's explosive growth. Most observers dismiss claims by some union officials that that labor trouble is politically motivated and cite tight competition for jobs as the cause of the ongoing violence. End Summary

¶2. (U) Civil construction in Peru has always been a bare-knuckle industry, but the violence has escalated in the last four months. In February, in the port city of Callao, a stray bullet killed a 12-year old girl after a confrontation between rival groups of workers led to an exchange of gunfire. One month later, four men were wounded, one fatally, when two gunmen fired into a crowd at a second construction site in Callao. Police arrested the two, who were reportedly tied to organized crime. On May 23, police in Lima arrested two construction workers for kidnapping and murder after an extortion attempt at a construction firm went awry, leading to the death of a guard. One week later, police arrested eight construction workers and charged them with extortion at more than 30 construction sites throughout Lima.

¶3. (U) Lelio Balarezo, president of the Peruvian Chamber of Construction (CAPECO), said the violence threatens to undermine economic expansion in an industry that grew by 10 percent in March 2007. Balarezo estimated that at least 15 mafias operate in Lima, threatening construction businesses with vandalism, labor unrest, and murder. Balarezo said the threats posed by organized crime can add as much as 30 percent to the cost of construction projects in Lima.

¶4. (U) Mario Huaman, the secretary general of Peru's largest union -- the General Confederation of Peruvian Workers (CGTP)

-- headed the FTCC from 1992 to 2004. He told poloff that problems in the industry date back to 1992, when ex-president Alberto Fujimori organized gangs of unemployed youth in Callao to battle construction workers. After Fujimori's fall, these gangs formed loose coalitions and transformed themselves into criminal organizations. They also began infiltrating construction unions. As a case in point, Huaman cited Vincent Apunte, a union official from Callao, who in February 2007 was removed as head of a Lima local by the CGTP. Huaman said that Apunte worked with organized crime groups to shake down construction companies. In May, Huaman filed a police complaint, alleging Apunte had pilfered union funds; Apunte was arrested May 24 and remains in custody. Huaman says that since February assailants have tried to bomb his house twice and his car once, and he and other union officials receive weekly death threats. Huaman blames Apunte's associates.

15. (U) Huaman claims violence in the industry is increasing because men like Apunte receive covert funding from the Garcia administration, which is seeking to undermine civil society groups like the FTCC. Apunte said the paymaster is Carlos Armas, a former APRA congressman from Callao, who lost a re-election bid in 2006 and returned to Callao to organize anti-FTCC unions. Armas denied these charges in a June 1 meeting with poloff and said as congressman, he was responsible for running Apunte out of Callao in 2004, after Apunte was accused of stabbing a rival at a construction site (charges were never filed). Armas said that threats have always been part of the construction industry, but conflict became deadly three years ago when the economic boom allowed criminals to buy guns -- and forced construction firms to hire more guards. The violence, he says, is a product of hungry gangs competing for space at the construction trough.

16. (U) Juan Sheput, a Labor Minister during the Toledo Administration, confirmed Armas' analysis in a June 14 meeting with poloffs. According to Sheput, construction firms only use a small core of trusted workers to avoid the danger of employees pilfering expensive materials. As a result, the majority of workers seeking jobs never have a chance to break into the field and respond with violent attacks against union members at construction sites. Sheput said union officials are reluctant to change the system, because there are not enough jobs to meet demand.

17. (U) Embassy contacts within the Ministry of Labor (MOL) also dismiss claims that the violence is politically motivated. The MOL meets regularly with CGTP representatives, including Human. MOL sources note that since February 2007, the CGTP has tried to block its chief rival, the Confederation of Peruvian Workers (CTP), from registering new construction unions with the MOL, an effort that has largely been successful. The CTP is affiliated with the ruling APRA party. MOL sources say Minister of Labor Pinilla -- an APRA party member -- has remained impartial in this dispute and has allowed lower-level bureaucrats to rule on the validity of CGTP legal challenges against the CTP.

18. (U) Comment: Civil construction is the only industry in Peru where unions have the right to negotiate by sector. The CGTP has sought for years to extend sector-wide bargaining to other industries, and the demand has been a central point of controversy in the debate surrounding the draft General Labor Law. But the unrest roiling the industry shows that legislation alone, no matter how well crafted, will not bring labor peace to a sector long accustomed to violence. The unrest also shows how labor disputes provide fertile ground for conspiracy theories. By all accounts, Mario Huaman is a tough guy, respected for surviving 12 years in a dangerous job, but he is savvy enough to realize that charges of union-bashing reverberate in a US Congress debating the PTPA, which the CGTP opposes. Post agrees with the majority of labor analysts who reject the charge that the GOP is fueling construction unrest, but the violence is likely to continue as workers and unions battle for jobs. End Comment.

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